

VZCZCXRO1570
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #3318/01 3400123
ZNR UUUUU ZZH
P 050123Z DEC 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 9213
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 3623
RUEHFK/AMCONSUL FUKUOKA 1262
RUEHOK/AMCONSUL OSAKA KOBE 5053
RUEHNAG/AMCONSUL NAGOYA 9260
RUEHKSO/AMCONSUL SAPPORO 1833
RUEHBJ/AMEMBASSY BEIJING 6668
RUEHUL/AMEMBASSY SEOUL 2665
RUCNDT/USMISSION USUN NEW YORK 2789

UNCLAS SECTION 01 OF 07 TOKYO 003318

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/05/08

TOKYO 00003318 001.2 OF 007

Index:

- 1) Foreign Ministry to halt yen loans to Vietnam following scandal (Yomiuri)
- 2) Government, responding to criticism, decides to open the "secretive" process of screening school textbooks to public scrutiny (Asahi)

Aso on the move:

- 3) Prime Minister Aso suddenly changes demeanor and is all smiles toward the press (Asahi)
- 4) Again the prime minister takes back previous words and delays moves on pension issue (Mainichi)

Job crisis:

- 5) Manufacturers hurt by slowdown: Survey of 30 companies finds 21,000 workers already dropped from payrolls (Nikkei)
- 6) Aso meets the Rengo chief, who strongly urges government to set emergency employment measures (Nikkei)
- 7) Ruling parties agree to 2-trillion yen labor package over three years (Nikkei)

Economy in trouble:

- 8) Tax revenues shortfall of 6.5 trillion yen expected, requiring government to go over the 30 trillion yen limit of issuing deficit bonds (Nikkei)
- 9) Ruling camp agrees to 1-trillion yen grant transfer to local governments but in a watered-down version (Nikkei)

Political rumblings:

- 10) Former Foreign Minister Komura seems to be setting self up as a candidate to replace Aso as LDP president and prime minister (Sankei)
- 11) Former LDP Secretary General Hidenao Nakagawa blasts new nationality law, but comes out strong for MSDF dispatch to pirate-infested waters off Somalia (Sankei)
- 12) DPJ head Ozawa cancels gala New Year's party in order to keep preparation momentum going for possible Lower House election (Yomiuri)

Articles:

- 1) Gov't stops yen loans to Vietnam

YOMIURI (Page 4) (Full)
December 5, 2008

The Foreign Ministry has completely halted yen loans for Vietnam in the wake of official corruption over Japan's official development assistance (ODA) project in Vietnam, sources said yesterday. The ministry will suspend the yen loans until the Vietnamese government works out a recurrence prevention plan and punishes officeholders alleged to have been bribed.

- 2) Ministry to screen school textbooks with open doors

ASAHI (Top play) (Abridged)
Eve., December 4, 2008

The Ministry of Education, Culture, Sports, Science and Technology (MEXT), which has been strongly criticized for its closed-door and

TOKYO 00003318 002.2 OF 007

pre-authorization process of screening and examining textbooks for school use, released an improvement plan today for transparency. MEXT's textbook examiners are in a position to affect its textbook authorization but have not been out in public. MEXT will disclose their statements after screening. In addition, MEXT will also disclose their names and professional experiences as well as subjects they examined. The Textbook Commission, an advisory panel for MEXT, will also release its members' coverage of subjects and outline their discussions in their textbook screening so that MEXT can check to see if there was something unfair in the process of producing textbooks.

In the fiscal 2006 screening of high school textbooks on the history of Japan, MEXT modified all those textbooks for they described that Okinawa residents "were forced by the military into committing mass suicide" during the Battle of Okinawa. MEXT struck out this wording, and this later became a problem. The nontransparent textbook screening system was under fire. Last year, then MEXT Minister Tokai announced a reform plan.

In the process of screening textbooks for school use, companies publishing school textbooks come up with their textbooks for authorization. MEXT textbook examiners, who are appointed from among college associate professors and high school teachers, screen and examine the textbooks and make their statements on them. Based on their statements, the Textbook Commission will reach a conclusion. However, the commission has to check a colossal amount of examined textbooks. MEXT textbook examiners therefore have a substantial role for authorization. The commission was therefore said to be a rubber stamp that signs off on their statements.

MEXT's textbook examiners can be called "leading players behind the scenes." However, their guidelines and roles have been intangible and ambiguous. Meanwhile, their statements have not been unveiled, either. As it stands, they have been believed to be amenable to the government. MEXT also plans to disclose its textbook examiners' names and professional experiences. Their existence has been dubbed a "black box." MEXT explains that the planned disclosure of information about them is intended to answer that criticism.

- 3) Why is Prime Minister Aso approaching reporters all smiles?

Prime Minister Taro Aso has begun to behave in a friendly manner toward reporters covering him at the Prime Minister's Official Residence (Kantei). Altering the firm expression he had usually kept since he made a series of slips of the tongue, Aso now has turned his friendly side toward reporters he meets.

Taking a reporter's cell-phone in his hand, Aso noted: "It's red." When a reporter called out to him, "The prime minister, what about cluster bombs?" Aso looked back, although he was about to return to his office after the press briefing, and closely watching the reporter's face, he said with a smile: "I wish you had asked that question at first."

Immediately after taking office, Aso fired back questions toward reporters with a firm expression. He once aggressively told one, "Answer my question!" Even after that, he kept a firmer expression as he often made changes in his remarks and committed gaffes. He

TOKYO 00003318 003.2 OF 007

then replied to questions from reporters, reading from memos prepared by his secretaries. The reporters are now befuddled by the sudden change in the prime minister's attitude.

Some observers think that the change in the prime minister's behavior was triggered by his having lunch with reporters on Dec. 1 at the Kantei. An acquaintance of Aso made this comment:

"The prime minister is actually shy of people. He gets nervous when he meets someone for the first time. In order to hide the tension, he usually takes a coercive attitude. I think he has begun taking a friendly attitude after he had lunch with the reporters."

However, Aso's aide said: "I want the prime minister to be aware of the public when he stands before cameras rather than catering to the reporters before him."

4) Prime minister again retracts a policy statement

MAINICHI (Page 2) (Abridged slightly)
December 5, 2008

Tamotsu Takatsuka

Prime Minister Taro Aso has decided to delay the timeframe for raising the government's contribution to the basic pension scheme from "next April" to "within next fiscal year." The reason is to allow time to secure sufficient fiscal resources to implement large-scale economic and employment measures in the fiscal 2009 budget. The latest retraction has come after repeated flip-flops by the premier on the flat-sum cash handout plan and the allocation of 1 trillion yen to local governments. The decision is certain to raise questions about Aso's qualifications as prime minister.

In a press conference on Oct. 30, the prime minister indicated that the timing of the government/ruling coalition's plan to raise the consumption tax to finance the government's greater contribution to the pension scheme would be three years, conditioned on a full economic recovery. This caused the view to spread that it thus would be difficult to raise the government's contribution to the basic pension scheme starting in April 2009.

It has generally been decided to fund the government's greater contribution to the pension scheme with surplus funds generally dubbed "buried treasure." Given this, the prime minister seems to intend to raise the government's contribution late in fiscal 2009. The prime minister is expected to seek understanding by playing up his policy to boost the economy. Nevertheless, he has given the opposition camp new ammunition to grill him in today's intensive deliberations at the Lower House Budget Committee and other venues.

5) Employment adjustment accelerates: 38 major companies to slash 21,000 nonpermanent workers in total

Employment adjustment in the manufacturing industry has begun spreading from the auto sector to other sectors. Komatsu will slash about 400 contract employees at its Oyama plant in Oyama City, Tochigi Prefecture by the end of March next year. It will also reduce operating days by two to four days a month at all plants

TOKYO 00003318 004.2 OF 007

throughout the nation, starting in December. Toshiba and Fujitsu will slash nonpermanent workers in the semi-conductor sector. The number of reductions in dispatched and contract workers by 38 major manufacturing firms reached approximately 21,000, according to a tally made by the Nihon Keizai Shimbun by December 4.

Komatsu will terminate all contracts with 400 nonpermanent workers at its Oyama plant, where engines for construction machinery are being manufactured. The company employs approximately 2,000 contract workers. It plans to gradually reduce such workers at other plants as well. A total of 500 to 1,000 such workers will likely be eliminated. It will also reduce the operating days of assembly lines by about 2-4 days a month at all of its 10 plants throughout the nation. Stopping production lines at domestic plants is the first in about six years. Employees will receive training when production lines are not operating.

Following the declined market condition, Toshiba plans to reduce about 800 workers, including dispatched and contract workers, at its plants in Kitakyushu City and Oita City, which manufacture semi-conductors, and subsidiary in Kitayama City in Iwate Prefecture. Fujitsu will also terminate contracts with more than 100 workers at its semi-conductor subsidiary around the same time.

According to a tally by this newspaper, 38 major manufacturing companies will cut the number of dispatched and contract workers by about 21,000 between April 2008 and the end of March 2009. The largest number of 17,000 such workers will be dismissed in the auto parts manufacturing sector. Reduction in force is accelerating among machinery and precision instrument manufacturers (1,800) and electronic manufacturers (1,300). Major manufacturing companies are trying to tide over the global recession, by slashing the number of nonpermanent workers, who have come to account for one third of all employees in that sector due to the widespread practice of employing dispatched workers.

6) Employment situation suddenly becoming worse; Rengo urges Aso to compile emergency measures

Prime Minister Taro Aso and Rengo (Japanese Trade Union Confederation) Chairman Tsuyoshi Takagi held a meeting yesterday to exchange views of the government and labor side at the Prime Minister's Office. In consideration of the employment situation of non-permanent workers and the cancellation of informal appointments of new graduates, Takagi urged Aso to come up with emergency employment measures. Aso then took a stance of working out emergency measures as early as possible, saying: "I want to give considerable thought as much as possible."

This government-labor meeting was held for the first time in seven months since the one was held in May under the cabinet of Prime Minister Yasuo Fukuda. Takagi emphasized that the names of companies that cancelled their informal employment offers should be made public, while calling for an early passage of a fiscal 2008 second supplementary budget, which includes employment measures. Regarding the withdrawal of employment offers, Aso said: "That's outrageous."

Takagi commented on the government's 2 trillion yen flat-sum cash payout plan: "The economic slump this time around is serious so that

TOKYO 00003318 005.2 OF 007

the economy will not recover by the one-time only (flat-sum payouts). How about large-scale tax cuts?" Aso, however, just replied: "I want you to tell me if you have good ideas."

7) Two trillion yen over three years to be spent for employment measures

NIKKEI (Page 1) (Full)
December 5, 2008

The ruling parties will compile a package of new employment measures, which will incorporate easing a condition for nonpermanent workers to become eligible to receive unemployment benefits under the employment insurance. The package will cover three years and cost 2 trillion yen. The aim is to create 1.4 million jobs. The ruling parties will present the package to Prime Minister Aso later in the day.

It is already set based on coordination with the government that the size of the new package will be 1 trillion yen. However, the ruling parties will seek another 1 trillion yen. However, since funding sources have yet to be tapped, except for 1 trillion yen to be drawn from the special labor insurance account for reserved employment premiums, the ruling parties will continue talks with the government.

Nonpermanent workers are not entitled to unemployment benefits unless they contributed to the employment insurance scheme for 12 months in the two-year period right before they lost a job. Employees must be supposed to work for a year or longer, when they take out the employment insurance. The ruling parties will also shorten this 12-month condition. Other measures include: (1) establishing an emergency job creation project (tentative name) aimed for temporary employment of nonpermanent workers and middle-aged and older people; and (2) release the names of unscrupulous companies that withdrew job offers.

8) Tax revenue shortfall an estimated 6.5 trillion yen, requiring government deficit bond issuance to top 30 trillion yen

NIKKEI (Page 1) (Full)
December 5, 2008

Prospects have now become strong that the government will lower its outlook for fiscal 2008 tax revenues flowing into the general account by approximately 6.5 trillion yen, compared with the initial prediction. This was learned from a government source on December 4. The reason for the shortfall is a significant drop in corporate tax revenues due to the slowdown in the global economy. This will be the second consecutive downward revision. The issuance of government deficit bonds in the current fiscal year will have to top 30 trillion yen, until now the goal for the government efforts to cut such issuances.

Tax revenues for the general account in the fiscal 2008 initial budget were estimated at approximately 53.6 trillion yen. However, tax revenues in fiscal 2007, the basis of that estimate, fell short of the supplementary budget by about 1.5 trillion in the account-closing stage.

In addition, the soaring raw material prices, the strong yen-weak dollar trend and the global economic recession put a dent in

TOKYO 00003318 006.2 OF 007

export-oriented companies' profits. As such, corporate tax revenues will likely fall significantly. A significant increase in revenues from the income tax revenues, a major tax revenue source along with the corporate tax, cannot be expected. The Finance Ministry will reach a final decision on the amount of a revision to its estimate for tax revenues, after determining the government's economic outlook, which will become the basis for fiscal management.

9) Ruling parties agree on 1 trillion yen in subsidies to local governments; General account plan might be watered down

SANKEI (Page 5) (Abridged slightly)
December 5, 2008

Based on the plan to free up road-related revenues for general spending starting in fiscal 2009, the Liberal Democratic Party and New Komeito agreed yesterday to establish a subsidy fund worth 1 trillion yen or so for revitalizing local economies that must be used strictly for public works projects, including road-improvement projects. The ruling bloc eyes a final decision after discussing the matter with the government on Dec. 8. Receiving a report from the ruling camp, Prime Minister Taro Aso simply said: "I just received a progress report."

The new subsidy system, which is an expanded version of the existing regional road-improvement special subsidy fund, is designed to cover public works projects such as improving roads. Given certain restrictions, some are concerned that the general account plan might become toothless.

The two parties agreed to consider the automobile-related taxes, including the prevocational tax rates, at the time of comprehensive tax reform and to maintain the current tax levels up until that time. They also decided to reduce the burden of automobile-related taxes for a limited period of time. The New Komeito, though, is calling for a bold review, such as simplifying the automobile weight tax and the automobile acquisition tax.

10) Koumura most fit to replace Aso

SANKEI (Page 5) (Full)
December 5, 2008

LDP Secretary General Hiroyuki Hosoda attended a fund-raising party held yesterday in Tokyo by former Foreign Minister Masahiko Koumura. In it, touching on the subject of who should become Prime Minister Aso's successor, Hosoda said: "Mr. Koumura is the best candidate." This came after the preface: "Prime Minister Taro Aso is most fit to guide the country climb out of this recession."

11) Nakagawa expresses view critical of Nationality Law but positive about sending MSDF to waters off Somalia

SANKEI (Page 5) (Abridged slightly)
December 5, 2008

Former LDP Secretary General Hidenao Nakagawa in yesterday's Machimura faction meeting expressed a positive view about sending Maritime Self-Defense Force vessels to waters off Somalia to deal with piracy there. However, he took a critical view about amending the Nationality Law.

TOKYO 00003318 007.2 OF 007

Regarding a bill amending the Nationality Law, Nakagawa said: "Consideration of DNA analysis would be an additional resolution. Confirmation (under a resolution) would not be enough." Nakagawa also said: "The UN Security Council has adopted a resolution urging each country to dispatch vessels to deal with piracy in waters off Somalia. Maritime security operations are specified in the SDF Law." Nakagawa thus expressed a positive view about MSDF dispatch under existing legislation.

Nakagawa was planning to launch on Dec. 5 a parliamentary league connected with social security. There is speculation that it could be an anti-Aso group. Nakagawa, as a result, has postponed the establishment until mid-next week so as not to cause any misunderstanding, according to a source connected with the league. Nakagawa has been regarded as a leading liberal. His comments yesterday have resulted in speculation that he is trying to increase his influence over conservatives.

12) Ozawa calls off New Year party, preparing for possible Diet dissolution

YOMIURI (Page 4) (Full)
December 5, 2008

Democratic Party of Japan (Minshuto) President Ozawa yesterday met a group of former lawmakers who support him and new candidates who are expected to run in the next election for the House of Representatives. In the meeting, Ozawa told them that he would not hold the gala party he annually hosts at his private residence in Tokyo on New Year's Day. This is because Ozawa presumes that the House of Representatives might be dissolved at the beginning of the ordinary Diet session to be convened in January next year. One of those at the meeting quoted Ozawa as saying, "Prime Minister Aso can no longer hold out, so let me tell you to be on your toes around the turn of the year."

SCHIEFFER